

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 FEA-01

PA-01 PRS-01 /102 W

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P R 191857Z JUN 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 9097

INFO ALL EC CAPITALS 793

AMEMBASSY ANKARA

AMEMBASSY BERN

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY WELLINGTON

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E.O. 11652: N/A

TAGS: ENRG, EEC

SUBJECT: PROSPECTS FOR THE EC COUNCIL MEETING ON ENERGY JUNE 26

REFS: A) EC BRUSSELS 5320

B) EC BRUSSELS 5357

C) EC A-403, DECEMBER 26, 1974

D) EC A-371, DECEMBER 10, 1974

1. SUMMARY: NO SIGNIFICANT ACTION IS EXPECTED AT THE EC  
COUNCIL ON ENERGY ON JUNE 26. THE MAIN ITEM WILL BE A DIS-  
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CUSSION OF THE COMMISSION'S RECENT PAPER ON THE DEVELOPMENT

OF ALTERNATIVE ENERGY SOURCES INCLUDING A PROPOSAL THAT THE COUNCIL APPROVE IN PRINCIPLE THE CONCEPT OF A MINIMUM SAFEGUARD PRICE TO BE IMPLEMENTED AT A LATER DATE. IN PREPARATORY DISCUSSIONS, THE FRENCH HAVE BEEN STRONGLY OPPOSED TO THE MSP CONCEPT. END SUMMARY.

2. FROM CONVERSATIONS WITH EC COMMISSION AND PERMREP SOURCES THE FOLLOWING PICTURE HAS EMERGED CONCERNING THE JUNE 26 EC COUNCIL OF MINISTERS CONCERNED WITH ENERGY MATTERS.

3. BY FAR THE MOST IMPORTANT ITEM ON THE AGENDA IS THE DISCUSSION OF THE TWO RECENT COMMISSION PAPERS ON DEVELOPMENT AND FINANCING OF ALTERNATIVE ENERGY SOURCES. THE COUNCIL'S HIGH LEVEL ENERGY GROUP DISCUSSED THESE PAPERS ON WEDNESDAY, JUNE 18, WE ARE INFORMED THAT WHILE THE COMMISSION INITIATIVE WAS GREETED WITH A GENERALLY "CAUTIOUS WELCOME" BY ALL DELEGATIONS BUT THE FRENCH, THE FRENCH WERE FIRM IN THEIR OPPOSITION AND THERE IS LITTLE CHANGE THAT THE PAPERS WILL GO BEYOND THE DISCUSSION STAGE AT THE JUNE 26 COUNCIL. ACCORDING TO OUR SOURCES, THE FRENCH STATED THAT THEY WERE NOT PREPARED TO TAKE A POSITION ON ANY FORM OF A MINIMUM SAFEGUARD PRICE (MSP) SCHEME PRIOR TO THE BEGINNING OF A DIALOGUE WITH THE PRODUCERS. THEY BELIEVE THAT TO GO AHEAD WITH SUCH AN IMPORTANT STEP PRIOR TO BEGINNING THE DIALOGUE WOULD BE TAKEN BY THE PRODUCERS AS A CONFRONTATIONAL MEASURE. THE FRENCH REPRESENTATIVE TOLD THE GROUP THAT GISCARD AND THE SENIOR LEVELS OF THE QUAI WERE NOT PLANNING, THEREFORE, TO DISCUSS THIS QUESTION UNTIL AFTER THE COUNCIL MEETING ON ENERGY AND THUS IT WAS PRACTICALLY RULED OUT THAT ANY ACTION COULD BE TAKEN ON THE QUESTION THEN.

4. THE FRENCH WERE REPORTED, HOWEVER, TO HAVE FOUND FAULT WITH THE SUBSTANCE OF THE MSP PROPOSAL ITSELF. NO SUCH SCHEME WOULD BE MEANINGFUL IN FRANCE, THEY ARGUED, SINCE FRANCE IS COMMITTED TO NUCLEAR ENERGY AS THE PRIMARY SOURCE OF DOMESTIC SUPPLY AND ALL NUCLEAR PROJECTS ARE IN THE PUBLIC DOMAIN. THEREFORE LIMITED OFFICIAL USE

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COMMERCIAL INCENTIVES SUCH AS MSP WOULD NOT HAVE ANY IMPACT.

5. VANDEN ABEELE, COMMISSION V.P. SIMONET'S DEPUTY CHEF DE CABINET (WHO, INCIDENTALLY, IS ABOUT TO BE ELEVATED TO CHEF) SAID THE DISCUSSION AT THE MEETING WAS A "DIALOGUE OF THE DEAF". THE EIGHT STRESSED TO THE FRENCH THAT THE COMMISSION PRO-

POSAL ON MSP WAS LOW KEY, AND NON-SPECIFIC, AND ONLY CALLED FOR AGREEMENT IN PRINCIPLE TO PUT AN MSP INTO PLACE AT SOME "OPPORTUNE TIME" IN THE FUTURE. IT WOULD NOT, THUS, BE CONFRONTATIONAL. MOREOVER, AS THE COMMISSION PAPERS POINTED OUT, IT WAS DESIGNED TO ENCOURAGE PRODUCTION OF ALTERNATIVE ENERGY SOURCES WHICH IS AN OBJECTIVE SUPPORTED BY THE ARABS. NOTHING PLEASED THE DEAF FRENCH. ACCORDING TO VANDEN ABEELE, SIMONET IS GOING TO PARIS ON JUNE 23 TO TALK TO FRENCH OFFICIALS (UNSPECIFIED) TO TRY TO FIND A CHINK IN THEIR ARMOR, BUT THE PROSPECTS ARE NOT BRIGHT.

6. VANDEN ABEELE SAID THE DANES WERE PARTICULARLY HARD ON THE FRENCH, MAKING THE POINT, ECHOED BY OTHERS, THAT WITH OR WITHOUT FRENCH AGREEMENT IN PRINCIPLE ON THE 26TH, THEY WOULD MOVE AHEAD ON THIS SUBJECT IN THE IEA.

7. ACCORDING TO A PERM REP SOURCE, THE ONLY DISSIDENT NOTE APART FROM THE FRENCH CAME FROM THE IRISH WHO ARE BEGINNING TO BEHAVE MORE AND MORE LIKE PRODUCERS AND EVEN EXPORTERS. THEY ARGUED THAT AN MSP WOULD WORK TO THE DISADVANTAGE OF OIL EXPORTING COUNTRIES WITHIN AS WELL AS OUTSIDE OF THE EC BECAUSE IN THE EVENT OF A MAJOR DROP IN PETROLEUM PRICES, IMPORTING EC MEMBERS WOULD PURCHASE LOW PRICE OIL AND REAP FISCAL BENEFITS VIA THE VARIABLE LEVY WHICH WOULD OF COURSE NOT BE AVAILABLE TO EC MEMBER STATE EXPORTERS.

8. OUR SOURCES INDICATE THAT WHILE THE GERMANS SUPPORTED AN EC COMMITMENT TO THE MSP, THEY DID HAVE SOME OF THEIR TRADITIONAL RESERVATIONS ABOUT THE COMMUNITY FINANCING ASPECTS OF THE PAPERS PROMPTED LIMITED OFFICIAL USE

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BY THEIR FEAR THAT THEY WILL BE STUCK WITH THE FINANCING. THE ITALIANS WERE QUIET BUT OUR PERM REP SOURCES ATTRIBUTE THIS TO THE FACT THAT THEY WERE REPRESENTED BY AN OFFICIAL FROM THE ITALIAN PERMANENT DELEGATION WHO THEY BELIEVE WAS WITHOUT INSTRUCTIONS.

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9. OUR SOURCES ANTICIPATE, THEREFORE ONLY A GENERAL DISCUSSION OF FINANCING AND THE MSP CONCEPT WITH NO SIGNIFICANT DECISIONS TAKEN. THE ENERGY GROUP WORKED ON A LIST OF QUESTIONS TO WHICH THE MINISTERS MIGHT ADDRESS THEMSELVES SUCH AS:

--DOES THE COUNCIL SUPPORT IN GENERAL TERMS THE APPROACH OUTLINED BY THE COMMISSION, I.E., COMBINING SPECIFIC SUPPORT MEASURES WITH AN MSP?

--WOULD THE MSP CONCEPT REALLY ACT AS AN INCENTIVE?  
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--WOULD THE MSP CONCEPT BE FULLY CONSISTENT WITH GATT REGULATIONS?

--WHAT, IF ANY, IS THE RELATIONSHIP BETWEEN MEASURES SUCH AS AN MSP AND DISCUSSIONS WHICH MIGHT TAKE PLACE IN THE CONSUMER-PRODUCER DIALOGUE.

COMMENT: IN ADDITION TO THE FRENCH POINT MENTIONED ABOVE, SOME MEMBERS OF THE ENERGY GROUP BELIEVE, WE ARE TOLD, THAT IF THE DIALOGUE RESULTS IN SOME FORM OF COMMODITY ARRANGEMENT FOR OIL WITH THE CONSUMERS GUARANTEEING A MINIMUM PRICE TO THE PRODUCERS, THEN THE MSP CONCEPT COULD BECOME OBSOLETE. END COMMENT.

10. IN ADDITION TO THE DISCUSSION OF DEVELOPMENT OF ALTERNATIVE SOURCES, WHICH IS EXPECTED TO DOMINATE THE MEETING, THE MINISTERS ARE ALSO EXPECTED TO DISCUSS THE FOLLOWING TOPICS:

11. COMMON RULES FOR THE IMPORT AND EXPORT OF PETROLEUM PRODUCTS. DISCUSSION OF THIS SUBJECT WILL BE VERY GENERAL AND LARGELY NEGATIVE. MOST COUNTRIES INCLUDING THE UK, THE FRENCH AND THE GERMANS, ARE FIRMLY OPPOSED TO THE ENTIRE PRINCIPLE.

12. MEASURES TO BE TAKEN IN THE EVENT OF SUPPLY DIFFICULTIES (REF C). THE FRENCH HAVE A MAJOR POLITICAL RESERVATION ON THIS SUBJECT. OF ALL THE ASPECTS OF THE IEA THE ONE THEY MOST OPPOSE IS THE EMERGENCY PROGRAM. THEY SEE THESE COMMISSION PROPOSALS AS A WAY OF LINKING THE FRENCH TO THE EMERGENCY MEASURES OF IEA VIA AN AGREEMENT WITH THE EC AND THE FRENCH CONSIDER THIS TO BE AN END RUN THEY CANNOT BUY.

13. COMMUNITY SUPPORT FOR HYDROCARBON EXPLORATION (REF D). THE MINISTERS ARE MERELY EXPECTED TO ADDRESS THEMSELVES TO A SERIES OF QUESTIONS AND NOT MAKE ANY DECISIONS. THEY WILL ASK IF SUCH SUPPORT IS NECESSARY, AND IF SO, SHOULD IT BE ON A LARGE OR SMALL SCALE? IF THERE A GEOGRAPHIC LIMITATION? SHOULD THERE LIMITED OFFICIAL USE

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BE SOME TYPE OF OBLIGATION ON THE PART OF THE COMPANIES WHO BENEFIT TOWARDS THE COMMUNITY? FOR EXAMPLE, SHOULD OTHER MEMBER STATES BE GIVEN FIRST REFUSAL RIGHTS?

14. EURATOM LOANS FOR POWER STATIONS. MUCH MORE WORK NEEDS TO BE DONE AND THE COUNCIL WILL ONLY TOUCH ON THIS SUBJECT.

15. FINANCIAL AND TECHNICAL ASSISTANCE TO COMPANIES USING NEW TECHNIQUES OF EXPLORATION. THERE IS CURRENTLY A LIMIT ON COMMUNITY EXPENDITURE IN THIS AREA

OF 25 MILLION UNITS OF ACCOUNT PER YEAR. THE COMMISSION WISHES TO RAISE THIS LIMIT TO 50 MILLION UNITS OF ACCOUNT. WE ARE INFORMED THAT THERE IS NO CHANCE OF AGREEMENT AT THIS TIME.

16. THE COMMISSION ALSO HOPES TO HAVE A PAPER ON REDUCTION OF ENERGY CONSUMPTION IN THE COMMUNITY IN 1976 AND 1977 READY IN TIME FOR THE JUNE 26 MEETING. THE COMMISSION ANTICIPATES NO ACTION ON THE 26TH BUT IS HOPEFUL OF APPROVAL IN NOVEMBER. GREENWALD

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## Message Attributes

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